

U.S. Small Business Administration
Interview with Casey Wilson
"Anticipating Change: Staying Current with Your Business Plan"

Ron Johnson: Change is one constant in our personal and professional lives but few of us take the time to anticipate change or have a plan to help us navigate the ups and downs, or even the opportunities that change might bring.

Hello, I'm Ron Johnson, with the U.S. Small Business Administration, your Small Business Resource. With me today is Casey Wilson, who is Retail Industry Manager of the Maryland Small Business Development Center. Welcome Casey, it's good to have you with us to discuss how a small business owner can anticipate change and prepare for the challenges and opportunities of today's economic environment.

Casey Wilson: Hey, thanks Ron. It's always a pleasure to work with you. You folks do such a great job educating and informing our small businesses. It's a pleasure to be here.

Ron Johnson: Before we get into the specifics of today's topic, what is the role of the Small Business Development Center?

Casey Wilson: Well Ron, you've really set the stage for today's discussion by pointing out that change is the one thing that we can all count on. And anticipating change, especially in today's economy, is absolutely vital for a small business. Think of the change in the last 24 months to industries we've

all grown up with and taken for granted: automotive, finance, energy, retail, information technology, life sciences, anything that you can think of has been changing and the list goes on. So essentially, the Small Business Development Center can help a business owner analyze the present and prepare for the future. That's the way I'd say it.

Ron Johnson: Casey, as we know, small business owners are very busy people. What kind of issues should they focus on when anticipating change? What possible risks to their business or themselves as business owners? And how can they incorporate those into a business plan?

Casey Wilson: That's a great question Ron. When analyzing the foundations of any business model, and that model's revenue stream, an owner first needs a good, clean set of financials, for instance, a balance sheet, a profit and loss and a cash flow. I mean, the numbers will be the first clue that something's happening. And good numbers will often point you in the direction of strategies for pricing, cost control, production levels, staffing and marketing.

For instance, think about it, back in the fall of 2007, restaurants noticed a decline in average tickets. I mean, the amount that each guest was spending during each visit was declining. Now, think about that and the implications of that for menu, pricing, margins, et cetera. Any business owner, in

any industry, needs adequate financial productivity information to meaningfully analyze their business. And that, by the way is an area where our SBDC counselor can be particularly helpful lending an objective eye to the business owner.

Also, I believe a business owner should be involved with their industries' associations, the local chamber of commerce, the merchants' association, whatever business you're in, whether it's service, manufacturing, retail, construction, transportation, even the high tech and biomed industries, whatever. You need to keep abreast of the trends in the marketplace, the advances in technology and the best practices, both in the industry and in your local market. Staying abreast of trends and understanding the customer and the industry will prepare a business owner to be proactive. Is it time to retrench, control costs and retain the current customer base? Or is it time to reinvest, look for new customers, new markets and new capacity?

So let's go back to the relatively simple example of restaurant guests beginning a change in their habits back in the fall of 2007. That's two years ago. Alert, attentive restaurant owners began investigating trends in their market and in the industry, using resources we've already mentioned and then adjusting menus, pricing and marketing. Those restaurant owners that didn't do that find themselves behind

the curve today and may be in serious financial straits as we go into the fall of 2009.

And Ron, at the risk of running on here, two more aspects to change, if an owner or manager of any enterprise is planning to change their business model in any significant way, they need to plan how to formulate and communicate those changes to the people who work for them. I mean, there's a whole organizational development piece to change. That can be a very methodical process that requires a lot of foresight so that you don't sacrifice company morale and efficiency. And an SBDC counselor can help you take an objective look at that.

The other thing about change, I've spoken about industries and finance and change over 24 months and whatnot, but there are other significant changes that you can't predict. Think about Hurricane Katrina, that's an all too salient example, other natural disasters, illness, even family problems for a small business owner. An owner should have strategies in place for succession planning, exit strategies, access to emergency funding in the form of insurance or cash reserves. Change can hit you right straight ahead without even having the ability to predict it so you've got to be prepared for long-term change and abrupt change at the same time.

Ron Johnson: So I guess it's safe to say that all small businesses want to grow and prosper, but what are some of the

dangers of growing without a proper planning?

Casey Wilson: Well, in any business model, Ron, growth means expanding your capacity. You are either adding physical plants, adding personnel, adding technology or production capacity, and adding more people, more staff, and of course, expanding your customer base or your market area, maybe even going international. And since we're talking about change, maybe even adding or deleting a whole product line or service offering. That typically means two basic things: one, you need financing to fund the expansion; and two, when you fund that expansion, that means you've increased your fixed expenses and your overhead, so that's going to need to be covered by an increase in business to cover those fixed costs and drop some profit to the bottom line.

And it's a good point here to mention that, of course, as you know, and many of your programs have mentioned, the Small Business Administration has numerous financing products that are designed for this, like the SBA 504 Loan and the 7(a) Guarantee Program. So, that whole financial piece is extremely important in planning to grow.

And then, that's just the first part, then you have to be thorough in preparing to operate and control the expanded business. Now, the business owner and the founder gets further and further removed from the day to day production, the day to

day sales, the day to day customer service. So the owner has to put systems in place that allow that owner to be sure the business is running efficiently. And more importantly, for a small business person that the business is running up to the standards they first founded their business on. And now you've got the whole array of excellent management skills that would be required, along with the management information systems to allow you to, once again, meaningfully analyze your business and run it. And again, of course, the SBDC counselors are available to provide an objective eye in that whole process.

The big danger is, in growth, that a business owner would commit resources, and the company's future, to expansion without a solid understanding of what's going on in the industry, or a solid understanding of what customer behavior has become, or even what the true cost of expanding is.

Ron Johnson: Casey, as we near to the end of our discussion, please close with what kind of support the Small Business Development Centers can provide, say, a small business owner as they anticipate change and growth.

Casey Wilson: Well, Ron, in addition to the training options, I failed to mention on the first part of our discussion here that the SBDC really does two things. One is very low cost training that would cover topics from how to start a business in your home state, to how to set up your

accounting system to even state of the art, current, topical issues like how to use cyber-social networking for marketing. So we do do low cost training that is a real information base for small business owners.

But the second thing we do and I think this really distinguishes us as a group of professional people across the country, we sit down and provide confidential, no cost counseling to any small business in this country to try to keep them healthy. I mean, an SBDC counselor will literally sit at the table with the business owner and his or her management team and provide an objective opinion on all the options before the business. And in fact, that counselor will help meaningfully analyze the facts and data and assist in formulating options.

You mentioned earlier, Ron, about how busy small business owners are and that is indeed the truth and anyone listening to this will know how busy they are. The SBDC can help, through various research techniques, help that business owner analyze the trends in their industry and in their marketplace.

So, all across the country, we're trying to help folks react and be proactive to the changes they see. And certainly, if someone is looking for financing to grow their business, an SBDC counselor will sit down and help with the business plan, the loan package, any sort of information that might need to be

presented to an investor or a lender. I mean, basically, Ron, you know this, and certainly your programs reflect it, the SBA and Small Business Development Centers are really just focused on helping small businesses in this country stay healthy.

Ron Johnson: Our thanks to Casey Wilson, Retail Industry Manager for the Maryland Small Business Development Center for his insight into planning for change and growth. You can learn more about small business planning, how to locate an SBDC near you and other valuable SBA programs at www.sba.gov. Until next time, this is Ron Johnson with the SBA, your Small Business Resource.

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